

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

# **FREE SOIL TOWNSHIP**

Mason County, Michigan

## **FINANCIAL STATEMENTS**

March 31, 2006

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BERTHIAUME  
& COMPANY

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## INDEPENDENT AUDITORS' REPORT

To the Township Board  
Free Soil Township, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Free Soil Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Free Soil Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Free Soil Township, Michigan, as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Free Soil Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

*Berthiaume & Co.*

June 20, 2006

## ***BASIC FINANCIAL STATEMENTS***

# FREE SOIL TOWNSHIP

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## STATEMENT OF NET ASSETS

March 31, 2006

**Assets:**

Cash and cash equivalents	\$ 51,251
Receivables	12,188
Capital assets:	
Nondepreciable capital assets	1,100
Depreciable capital assets, net	<u>11,030</u>
Total assets	<u>75,569</u>

**Liabilities:**

Accounts payable	<u>6,844</u>
Total liabilities	<u>6,844</u>

**Net assets:**

Invested in capital assets	12,130
Restricted for:	
Nonexpendable cemetery principal	13,444
Unrestricted	<u>57,641</u>
Total net assets	<u><u>\$ 83,215</u></u>

*The accompanying notes are an integral part of these financial statements.*

# FREE SOIL TOWNSHIP

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## STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

	<i>Program Revenues</i>			<i>Net (Expense) Revenue</i>
	<i>Expenses</i>	<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	
<b>Functions/Programs</b>				
General government	\$ 54,723	\$ 5,280	\$ 1,137	\$ (48,306)
Public safety	17,060	-	385	(16,675)
Public works	39,325	-	-	(39,325)
Recreation and culture	<u>175</u>	<u>-</u>	<u>-</u>	<u>(175)</u>
Total governmental activities	<u>111,283</u>	<u>5,280</u>	<u>1,522</u>	<u>(104,481)</u>
General revenues				
Taxes				
Property taxes, levied for general purpose				29,283
Grants and contributions not restricted to specific programs				47,641
Unrestricted investment earnings				1,820
Miscellaneous				7,082
Contributions to permanent fund principal				<u>350</u>
Total general revenues and contributions				<u>86,176</u>
Change in net assets				(18,305)
Net assets, beginning of year				<u>101,520</u>
Net assets, end of year				<u>\$ 83,215</u>

*The accompanying notes are an integral part of these financial statements.*

# FREE SOIL TOWNSHIP

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## GOVERNMENTAL FUND

### BALANCE SHEET

March 31, 2006

			<i>Nonmajor Governmental Fund</i>	
	<i>General Fund</i>	<i>Hall Building Fund</i>	<i>Cemetery Perpetual Care Fund</i>	<i>Total Governmental Funds</i>
<b>Assets:</b>				
Cash and cash equivalents	\$ 33,679	\$ 14,128	\$ 13,444	\$ 61,251
Taxes receivable	2,762	-	-	2,762
Accounts receivable	1,500	-	-	1,500
Due from other governmental units	7,926	-	-	7,926
Prepaid expenditures	4,490	-	-	4,490
Total assets	<u>\$ 50,357</u>	<u>\$ 14,128</u>	<u>\$ 13,444</u>	<u>\$ 77,929</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	<u>6,844</u>	<u>-</u>	<u>-</u>	<u>6,844</u>
Total liabilities	<u>6,844</u>	<u>-</u>	<u>-</u>	<u>6,844</u>
<b>Fund Balances:</b>				
Reserved:				
Prepaid expenditures	4,490	-	-	4,490
Nonexpendable cemetery principal	-	-	13,444	13,444
Unreserved:				
General fund	39,023	-	-	39,023
Special revenue fund	<u>-</u>	<u>14,128</u>	<u>-</u>	<u>14,128</u>
Total fund balances	<u>43,513</u>	<u>14,128</u>	<u>13,444</u>	<u>71,085</u>
Total liabilities and fund balances	<u>\$ 50,357</u>	<u>\$ 14,128</u>	<u>\$ 13,444</u>	<u>\$ 77,929</u>

*The accompanying notes are an integral part of these financial statements.*



# FREE SOIL TOWNSHIP

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## RECONCILIATION OF FUND BALANCE OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2006

<b>Total fund balance for governmental funds</b>	<b>\$ 71,085</b>
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Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	43,514	
Less accumulated depreciation	<u>(31,384)</u>	<u>12,130</u>

<b>Net assets of governmental activities</b>	<b><u>\$ 83,215</u></b>
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*The accompanying notes are an integral part of these financial statements.*

# FREE SOIL TOWNSHIP

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## GOVERNMENTAL FUND

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	<i>General Fund</i>	<i>Hall Building Fund</i>	<i>Nonmajor Governmental Fund Cemetery Perpetual Care Fund</i>	<i>Total Governmental Funds</i>
<b>Revenues:</b>				
Property taxes	\$ 29,283	\$ -	\$ -	\$ 29,283
State grants	49,163	-	-	49,163
Charges for services	3,700	-	-	3,700
Interest and rents	2,760	228	12	3,000
Other revenue	<u>7,482</u>	<u>-</u>	<u>350</u>	<u>7,832</u>
Total revenues	<u>92,388</u>	<u>228</u>	<u>362</u>	<u>92,978</u>
<b>Expenditures:</b>				
Current				
General government	54,480	-	-	54,480
Public safety	16,760	-	-	16,760
Public works	39,325	-	-	39,325
Recreation and culture	175	-	-	175
Capital outlay	<u>4,776</u>	<u>-</u>	<u>-</u>	<u>4,776</u>
Total expenditures	<u>115,516</u>	<u>-</u>	<u>-</u>	<u>115,516</u>
Net change in fund balances	(23,128)	228	362	(22,538)
Fund balances, beginning of year	<u>66,641</u>	<u>13,900</u>	<u>13,082</u>	<u>93,623</u>
Fund balances, end of year	<u>\$ 43,513</u>	<u>\$ 14,128</u>	<u>\$ 13,444</u>	<u>\$ 71,085</u>

The accompanying notes are an integral part of these financial statements.

# FREE SOIL TOWNSHIP

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## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

**Net change in fund balance - total governmental funds** \$ (22,538)

Total change in net assets reported for governmental activities in the statement  
of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is depreciated over their  
estimated useful lives and reported as depreciation expense.

Capital outlay	4,776	
Less depreciation expense	<u>(543)</u>	<u>4,233</u>

**Change in net assets of governmental activities** \$ (18,305)

*The accompanying notes are an integral part of these financial statements.*

# FREE SOIL TOWNSHIP

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*FIDUCIARY FUND*  
**STATEMENT OF NET ASSETS**  
March 31, 2006

	<i><u>Agency Fund</u></i>
<b>Assets</b>	
Cash and cash equivalents	\$ <u>1,500</u>
<b>Liaibilities</b>	
Accounts payable	<u>1,500</u>
<b>Net assets</b>	
Unrestricted	<u>\$ -</u>

*The accompanying notes are an integral part of these financial statements.*

## ***NOTES TO FINANCIAL STATEMENTS***

# FREE SOIL TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2006

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of Free Soil Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) has no component units and accordingly, the Township has not consolidated any entities into its financial statements.

**Joint Venture** - The Township participates as a member of the Mason County Rural Fire Authority.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### ***Government-wide Financial Statements:***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and those that are business-type activities. There are no business-type activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

# FREE SOIL TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

### ***Fund Financial Statements:***

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting.

The Township reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Hall Building Fund** is used to account for monies used for Township building projects.

# FREE SOIL TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board.

### **Assets, Liabilities and Equity:**

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$100. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Equipment and furniture	10 years
Land improvements	15 years

**Compensated Absences** – The Township does not allow the carryover of unused sick or vacation days. Therefore, no liability has been recorded in the government-wide financial statements.

**Long-term Obligations** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.



# FREE SOIL TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

### Property Taxes:

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 14, with the final collection date of March 1 before they are added to the county tax rolls. The Township 2005 tax roll millage rate was .8092 mills and the taxable value was \$24,336,852.

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## NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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### Budgetary Information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

### Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township did not incur expenditures that were in excess of the amounts budgeted.

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## NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

# FREE SOIL TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

### Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year-end, the Township had \$62,564 of bank deposits (checking and savings accounts), of which \$62,564 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. At year end, the Township had no investments.

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### NOTE 4: CAPITAL ASSETS

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Governmental activities capital asset activity for the year ended March 31, 2006 was as follows:

	<i>April 1, 2005</i>	<i>Additions</i>	<i>Retirements</i>	<i>March 31, 2006</i>
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land	\$ 1,100	\$ -	\$ -	\$ 1,100
Depreciable capital assets:				
Buildings	36,800	-	-	36,800
Equipment and furniture	838	-	-	838
Land improvements	<u>-</u>	<u>4,776</u>	<u>-</u>	<u>4,776</u>
Total depreciable capital assets	37,638	4,776	-	42,414
Accumulated depreciation	<u>(30,841)</u>	<u>(543)</u>	<u>-</u>	<u>(31,384)</u>
Depreciable capital assets, net	<u>6,797</u>	<u>4,233</u>	<u>-</u>	<u>11,030</u>
Governmental activities, capital assets, net	<u>\$ 7,897</u>	<u>\$ 4,233</u>	<u>\$ -</u>	<u>\$ 12,130</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government	\$ 243
Public safety	<u>300</u>
Total governmental activities	<u>\$ 543</u>

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### NOTE 5: LONG-TERM LIABILITIES

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The Township had no long-term liabilities at March 31, 2006.

# FREE SOIL TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

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### NOTE 6: DISAGGREGATED RECEIVABLE BALANCES

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Receivables as of year end for the Township's governmental activities in the aggregate are as follows:

	<i><u>Governmental Activities</u></i>
<b>Receivables:</b>	
Property taxes	\$ 2,762
Accounts	1,500
Intergovernmental	<u>7,926</u>
Total receivables	<u>\$ 12,188</u>

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### NOTE 7: RISK MANAGEMENT

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The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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### NOTE 8: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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#### **Pension Plan:**

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes a percentage of each covered employee's wages to the plan. Pension expense for the fiscal year ended March 31, 2006 was \$2,340.

#### **Post Employment Benefits:**

The Township provides no post employment benefits to its retirees.

#### **Deferred Compensation Plan:**

The Township has no deferred compensation plan.

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### NOTE 9: FUND EQUITY

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Specific reservations on fund equity include:

**Reserved for prepaid expenditures** – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

**Reserved for nonexpendable cemetery principal** – This reserve was created to indicate that portion of fund balance representing the nonexpendable principal portion required to be retained in perpetuity for cemetery care.

***REQUIRED SUPPLEMENTAL INFORMATION***

# FREE SOIL TOWNSHIP

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## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i> <i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 26,450	\$ 26,450	\$ 29,283	\$ 2,833
State grants	47,385	47,385	49,163	1,778
Charges for services	900	900	3,700	2,800
Interest and rents	1,650	1,650	2,760	1,110
Other revenue	8,200	8,200	7,482	(718)
Total revenues	84,585	84,585	92,388	7,803
<b>Expenditures:</b>				
Current				
General government	64,255	69,488	54,480	(15,008)
Public safety	17,185	17,185	16,760	(425)
Public works	31,731	47,831	39,325	(8,506)
Recreation and culture	100	175	175	-
Capital outlay	4,400	7,518	4,776	(2,742)
Total expenditures	117,671	142,197	115,516	(26,681)
Net change in fund balance	(33,086)	(57,612)	(23,128)	34,484
Fund balance, beginning of year	66,641	66,641	66,641	-
Fund balance, end of year	\$ 33,555	\$ 9,029	\$ 43,513	\$ 34,484

# FREE SOIL TOWNSHIP

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## HALL BUILDING FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>Revenues:</b>				
Interest and rents	\$ -	\$ -	\$ 228	\$ 228
Total revenues	-	-	228	228
Net change in fund balance	-	-	228	228
Fund balance, beginning of year	13,900	13,900	13,900	-
Fund balance, end of year	<u>\$ 13,900</u>	<u>\$ 13,900</u>	<u>\$ 14,128</u>	<u>\$ 228</u>

***OTHER SUPPLEMENTAL INFORMATION***

# FREE SOIL TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2006

***Current taxes:***

Property taxes	\$ 20,950
Penalties and interest on taxes	289
Property taxes administration fees	<u>8,044</u>
	<u>29,283</u>

***State grants:***

Summer tax collection reimbursement	1,137
Liquor license fees	385
State revenue sharing - sales tax	<u>47,641</u>
	<u>49,163</u>

***Charges for services:***

Cemetery fees	<u>3,700</u>
	<u>3,700</u>

***Interest and rents:***

Interest	1,580
Rents	<u>1,180</u>
	<u>2,760</u>

***Other revenue:***

Cemetery lots/perpetual care	400
Reimbursements	<u>7,082</u>
	<u>7,482</u>

Total revenues	<u><u>\$ 92,388</u></u>
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# FREE SOIL TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2006

***General Government:***

*Board:*

Personnel	\$ 1,241
Fringe benefits	352
Dues and memberships	502
Insurance	4,594
Other	1,696
	<u>8,385</u>

*Supervisor:*

Personnel	4,800
Fringe benefits	576
Supplies	48
Mileage	600
	<u>6,024</u>

*Clerk:*

Personnel	5,996
Fringe benefits	1,025
Supplies	156
Mileage	600
	<u>7,777</u>

*Board of Review:*

Personnel	346
Fringe benefits	271
	<u>617</u>

*Treasurer:*

Personnel	6,052
Fringe benefits	1,013
Supplies	2,815
Mileage	600
	<u>10,480</u>

*Assessor:*

Supplies	1,029
Contracted services	8,200
	<u>9,229</u>

*Elections:*

Personnel	1,163
Supplies	107
	<u>1,270</u>

# FREE SOIL TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

***General Government, continued:***

***Buildings and Grounds:***

Personnel	\$ 1,413
Fringe benefits	506
Contracted services	505
Utilities	2,535
Repairs and maintenance	14
	<u>4,973</u>

***Cemetery:***

Personnel	1,593
Fringe benefits	505
Supplies	527
Contracted services	2,788
Utilities	99
Repairs and maintenance	213
	<u>5,725</u>

Total general government	<u>54,480</u>
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***Public Safety:***

***Liquor Control:***

Contracted services	<u>385</u>
	<u>385</u>

***Fire:***

Supplies	67
Contracted services	7,800
Education and training	2,293
Utilities	4,048
Other	2,167
	<u>16,375</u>

Total public safety	<u>16,760</u>
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***Public Works:***

***Drains - Public Benefit:***

Contracted services	<u>248</u>
	<u>248</u>

***Roads:***

Contracted services	<u>38,955</u>
	<u>38,955</u>

# FREE SOIL TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

***Public Works:***

*Street Lighting:*

Utilities	\$ 122
	<u>122</u>

Total public works	<u>39,325</u>
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***Recreation and Culture:***

*Parks and Recreation:*

Contracted services	<u>175</u>
	<u>175</u>

Total recreation and culture	<u>175</u>
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***Capital outlay:***

General government	<u>4,776</u>
	<u>4,776</u>

Total capital outlay	<u>4,776</u>
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Total expenditures	<u>\$ 115,516</u>
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# FREE SOIL TOWNSHIP

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## FIDUCIARY FUND

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

March 31, 2006

	<u>April 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>March 31, 2006</u>
<b><u>Current Property Tax Collection Fund:</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	<u>\$ 1,500</u>	<u>\$ 542,330</u>	<u>\$ 542,330</u>	<u>\$ 1,500</u>
<b>Liabilities:</b>				
Accounts payable	<u>\$ 1,500</u>	<u>\$ 542,330</u>	<u>\$ 542,330</u>	<u>\$ 1,500</u>



June 20, 2006

To The Township Board  
Free Soil Township

We have audited the financial statements of Free Soil Township for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

#### Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of Free Soil Township in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Free Soil Township are described in Note 1 to the financial statements. We noted no transactions entered into by Free Soil Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the organization's financial statements, dated June 20, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants